MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BSM3614 – STRATEGY

(All sections/Groups)

6 OCTOBER 2023
9.00 a.m –12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 questions only.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer **ALL FIVE (5)** questions.

QUESTION 1

a) Strategic management is not just about planning. Comment on the statement. (10 marks)

b) Review the following mission statement.

We are committed to serve our customers of men and women around the world through our apparel brand which is intentionally recognised. We use the latest technology that is environmentally friendly and able to produce quality products. We strive to provide good return to the investors. We put importance on the wellbeing of our employees.

Seek the **NINE (9)** mission components in the mission statement. Identify which component is missing in the mission statement. (10 marks)

(Total: 20 marks)

QUESTION 2

a) Demonstrate your understanding of the views of strategy management specifically Industrial Organisation View (I/O) and Resource Based View (RBV). Which approach is more important in achieving competitive advantage? (10 marks)

b) The table below presents the External Factor Evaluation Matrix for Company Famous. Calculate the score and interpret the results.

Opportunities	**Weight**	**Rating**
Demand for latest product that has smart features is increasing.	0.12	3
Globally economy is forecasted to be moderate.	0.11	4
Supply chain is expected to improve.	0.10	3
Government is providing various incentives.	0.09	4
Asia's demand for the product is expected to increase.	0.10	4
Youth population is expected to be on the rise.	0.07	3
Threats		
Increase in number of competitors	0.10	1
Regulations on certain technology is expected to be enforced.	0.08	1
Demand for old stock will decrease	0.07	2
Price of raw material is expected to increase.	0.07	2
Availability of substitute might affect sales.	0.09	2
	1.00	

(10 marks)

(Total: 20 marks)

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QUESTION 3

The hypothetical internal and external analyses for a Strategic Position and Action Evaluation (SPACE) Matrix of a consumer product company is presented in the following table.

Internal Analysis		**External Analysis**	
Financial Position		Stability Position	
The company has a brand value of improved.	5	The rate of inflation has drop slightly by 0.5%.	-3
The revenue has increase by 10%.	4	Regulation on environmental has been made more stringent.	-3
Long term debt has increased by 3%.	4	Political situation in major market is quite stable.	-4
The company has reduced its overall cost of operations by 2%.	3	Impact due to new technologies are somewhat low.	-2
Competitive Position		Industry Position	
Product offerings has been increased and has good demand.	-4	Growth of industry is quite stable.	4
The company has multiple source in offering its product online and off lines.	-4	Supply chain disruption is manageable.	4
Market Share has improved slightly.	-3	The profit potential overall is moderate.	3
Company's workforce is supportive of the innovative culture.	-3	The ease to market entry still attracts new entrants.	4

a) Discuss the Strategic Position and Action Evaluation (SPACE) Matrix. (5 marks)

b) Based on the table above, provide the necessary calculations and plot the SPACE graph. (Marks will be allocated for workings.) (10 marks)

c) Based on your findings in (b), provide recommendations for the organisation to plan for its future growth.

(5 marks)

(Total: 20 marks)

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QUESTION 4

Hibiscus Petroleum taking on mammoth task
Story by Intan Farhana Zainul and Adam Aziz
The Edge Malaysia Weekly on April 3, 2023 - April 9, 2023

MORE than a year after its landmark acquisition of oil and gas (O&G) production assets in Malaysia and Vietnam from Spanish oil company Repsol, Hibiscus Petroleum Bhd is not resting on its laurels. The O&G exploration and production company is setting the wheels in motion again as it gears up to launch a three-year programme that will see it investing billions of ringgit to double its daily production of oil, condensate and gas to 35,000 barrels of oil equivalent per day (boe/d) by 2026.

Presently, Hibiscus is producing an average of 19,912 boe/d from its three producing oil fields — the Anasuria Cluster in the UK, the North Sabah field and Peninsula Hibiscus (formerly Repsol O&G assets) field off the east coast of Peninsular Malaysia. The latest addition, Peninsula Hibiscus, more than doubled its production to the current level from just 8,000 boe/d in 2021. At Hibiscus' inaugural investors' day conference last month, the mood was optimistic as founder and managing director Dr Kenneth Gerard Pereira unveiled the US$345 million (RM1.52 billion) capital expenditure (capex) plan for the three-year period. This capex allocation for its sanctioned projects, which will raise production to 26,000 boe/d, is about three-quarters of Hibiscus' market capitalisation of RM2 billion as at March 29.

In an interview, Pereira tells The Edge that the group is unlikely to raise any fresh cash for its capex. It will be funded through internal funds, while the debt facility that it secured last year will be used to "cover the gaps". "The bulk of the capex, about US$170 million, will be allocated to the development of Teal West asset [tied to Anasuria] in the UK North Sea, while the remaining US$100 million will be for Sabah assets under SEA Hibiscus Sdn Bhd and US$75 million for Peninsula Hibiscus," he says. The UK investment will also greatly reduce Hibiscus' exposure to windfall tax imposed in the country "at least until 2025", he adds.

Last November, Hibiscus had secured a debt facility agreement with four banks — HSBC Bank Malaysia Bhd, Bank of China Malaysia Bhd, Industrial and Commercial Bank of China (M) Bhd and Standard Chartered Bank Malaysia Bhd — to raise US$149 million. The elevated crude oil prices since late 2021 have been a boon for Hibiscus as an O&G producer to generate a steady cash flow, which also provides a good opportunity to monetise its proven and probable (2P) resources and convert its contingent (2C) resources to 2P.

Hibiscus has sizeable 2P resources of 68.8 million boe and another 72 million boe of 2C resources, with its Marigold West and Sunflower fields in the UK making up more than half of the 2C resources. Pereira describes the 2C resources as hydrocarbons that "have already been discovered".

"For instance, we bought Marigold resources at US$2.50 a barrel, which is cheaper than what it would cost to find such oil through exploration projects. Now is the time we can try to monetise those resources to fill in the 10,000 boe/d gap in our [2026] production [target of 35,000 boe/d] through the Marigold asset," he says, not discounting partnerships or equity farm-out to support the project in the future.

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Hibiscus has generated a steady and lucrative cash flow of RM353.28 million in earnings before interest, taxes, depreciation and amortisation in its second financial quarter ended Dec 31, 2022 (2QFY2023). This was attributed to its acquisition of Peninsular Hibiscus and elevated global crude oil prices, averaging US$70.86 and US$100 per barrel in 2021 and 2022 respectively. This compares to the group's average drilling cost of US$16 to US$19 per barrel as at February 2023, company data shows.

At end-December 2022, Hibiscus had cash of RM532 million — six times more than the RM87.16 million in 2020. Total borrowings stood at RM540.03 million, its latest filing showed.

Pereira does not rule out potential acquisitions focusing on gas assets and Southeast Asia, especially expanding its footprint in Vietnam."Vietnam is an interesting market that has untapped resources. Nonetheless, any opportunities in Southeast Asia are of interest to us ... opportunities have come up," he says. However, he is tight-lipped on whether Hibiscus is already talking to any parties for potential acquisitions.The group participated in the bidding round by Malaysian Petroleum Management but was unsuccessful, says Pereira. Hibiscus' targeted assets were probably "the more popular ones", he adds.

Meanwhile, Hibiscus says it has initiated discussions to extend the licence at PM-3 Commercial Arrangement Area (CAA) beyond 2027, due to significant untapped gas reserves. PM-3 CAA is a producing O&G field located in shallow water in Malaysia and Vietnam, of which Hibiscus owns a 35% stake under a production sharing contract with Petroliam Nasional Bhd (35%) and PetroVietnam (30%).

Elsewhere, Hibiscus also has 11.68% equity interest in Australian offshore oil and gas explorer 3D Oil Ltd, which Pereira says has a "very interesting" and potentially very value-accretive gas exploration programme lined up in 2024.

Interestingly, during the investors' day presentation, Hibiscus highlighted its plan to become a "gas-weighted company" as gas is expected to become the main fuel source in energy transition, which has fewer emissions than oil. This is also in line with the industry's push towards carbon emissions reduction to meet increasing requirements among stakeholders for higher environmental, social and governance compliance.

In that regard, Hibiscus' long-term strategy entails the feasibility of offshore carbon storage opportunities in PM-3 CAA. The group is also looking at renewable energy-related opportunities, although it is in no rush to take part as "not many are cash flow generating in a strong way".

Latent demand for O&G to support industry

Listed in 2011 during the oil price boom at 75 sen a share, Hibiscus — the first special-purpose acquisition company in Southeast Asia — weathered the prolonged downturn of 2014 to 2019, seeing its share price plunge to as low as 14 sen apiece in early 2016 as investor interest in the sector waned.
It was only after Hibiscus' third year of consecutive profit in 2017 to 2019 — amid a recovery of oil prices and higher production following the acquisition of North Sabah assets from Shell — that it turned to the debt market for further expansion.

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From accumulated losses of RM131.9 million in FY2016, the group has reversed its fortunes with retained earnings of RM1.25 billion, and began paying dividends in FY2021, becoming the only pure-play O&G exploration and production outfit with a proven track record listed on Bursa Malaysia. "It has been an amazing corporate adventure," says Pereira.

Just like the company's position a decade ago, Hibiscus is determined to grow the upstream business going forward, even amid the latest price swings of Brent crude oil at US$78.90 currently, down 7.45% from the start of the year. The recent bank fallout in the US and Europe has stirred the oil market this year, with Brent crude prices plunging 8.3% to as low as US$71.88 per barrel in mid-March, its biggest one-day fall this year.

From a supply perspective, Pereira sees a tight market lasting at least for the next three years. "In the short term, you will see swings in oil prices reacting to [market sentiment], but fundamentally there is a latent demand for O&G and petrochemical products. And there is not enough investment in the industry to deliver on all this," he says.
"At a certain point, there is going to be a squeeze on supply, and we think the trend [in oil prices] will be upwards. That is what the fundamentals suggest."

Source: https://www.msn.com/en-my/news/others/hibiscus-petroleum-taking-on-mammoth-task/ar-AA19IbJQ?li=BBr8Hnu

a) Provide **THREE (3)** reasons why Hibiscus Petroleum is pursuing the acquisition strategy. (15 marks)

b) Explain any **TWO (2)** threats in the oil and gas industry. (5 marks)

(Total: 20 marks)

QUESTION 5

a) The strategy evaluation process is an important component of strategic management. Rumelt has identified **FOUR (4)** criteria to evaluate the organisation's strategy. Discuss these criteria. (10 marks)

b) Describe the marketing strategy of Ajio based on the case study below.

Ambani's Reliance targets Indian fashion e-commerce with low-cost model

Reliance Industries, run by India's richest man Mukesh Ambani, is gearing up to deploy a winning strategy from its past playbook for the fashion market: low-cost products. Ajio, Reliance's retail fashion arm, has quietly launched Ajio Street. The platform boasts a vast selection of clothing and accessories, starting from a price point as low as 199 Indian rupees ($2.4). According to Ajio's website, Street guarantees the "lowest price" for its offerings, waives delivery charges, and promises a straightforward returns process.

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The roll-out of Ajio Street, which has not been previously reported, coincides with a confirmation from Shein, a dominant player in the global budget fashion market hailing from China, that it has partnered with Reliance to re-establish a presence in the lucrative Indian market.

The emphasis on affordability is key in capturing market share in India's fashion sector, analysts say, citing the region's notoriously price-sensitive consumers. The Indian newspaper Economic Times reported last month that Reliance plans to target consumers in smaller Indian cities and towns with Ajio Street. The newspaper also said that Street will operate on a zero-commission model, meaning sellers will not be paying any commission to the platform in a move to gain quick inroads. Reliance's plan also puts Ajio Street in direct competition with SoftBank and Prosus-backed Meesho, which specialises in selling low-cost longtail fashion and accessory items.

Ajio, launched in 2016, currently commands over 15% of the fashion e-commerce market in India, according to wealth management and research firm Bernstein. Flipkart, which owns fashion giant Myntra, dominates the category with over 60% market share, while Amazon is holding on to about 20% of the slice.

For Reliance, deploying an affordability-led approach to achieve market dominance has been a longstanding strategy. This was strikingly evident in the previous decade when the company dramatically shook the Indian wireless sector with the introduction of Jio — offering free voice calls and cut-rate data rates. With a subscriber base now exceeding 430 million, Jio now dominates the telecommunications industry in the South Asian market.

Source: https://techcrunch.com/2023/05/26/ambani-india-ajio-street-shein-reliance/

(10 marks)

(Total: 20 marks)

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